Mobil

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# Annual Report 1969

## DIRECTORS

George P. Baker, *Former Dean of the Harvard Graduate School of Business Administration*

Grayson L. Kirk, *President Emeritus of Columbia University*

Lewis A. Lapham, *President and Director, Bankers Trust New York Corporation*

George C. McGhee, *Former Under Secretary of State for Political Affairs; Special Representative of Chairman, National Urban Coalition*

Charles G. Mortimer, *Chairman of the Executive Committee and Director, General Foods Corporation*

Theodore W. Nelson, *Executive Vice President*

Albert L. Nickerson, *Former Chairman of the Board of Directors*

James Q. Riordan, *Senior Vice President*

Herman J. Schmidt, *Executive Vice President*

Charles E. Solomon, *Executive Vice President*

William P. Tavoulareas, *President; Vice Chairman of the Executive Committee*

Rawleigh Warner, Jr., *Chairman of the Board of Directors; Chairman of the Executive Committee*

Albert L. Williams, *Chairman of the Executive Committee and Director, International Business Machines Corporation*

## OFFICERS

Rawleigh Warner, Jr., *Chairman of the Board of Directors; Chairman of the Executive Committee*

William P. Tavoulareas, *President; Vice Chairman of the Executive Committee*

Ray C. Adam, *Vice President*

Everett S. Checket, *Vice President*

Dayton H. Clewell, *Senior Vice President*

Peter C. Krist, *Vice President*

John D. Moody, *Senior Vice President*

Henry C. Moses, *Vice President*

Theodore W. Nelson, *Executive Vice President*

James Q. Riordan, *Senior Vice President*

Herbert Schmertz, *Vice President*

Herman J. Schmidt, *Executive Vice President*

Charles E. Solomon, *Executive Vice President*

Richard F. Tucker, *Executive Vice President*

Paul J. Wolfe, *Vice President*

Lawrence M. Woods, *Vice President*

Edward P. Fischer, *Treasurer*

George A. Birrell, *General Counsel*

Arthur M. Sherwood, *Secretary*

William S. Swayze, *Controller*

Directors and Officers
as of February 1, 1970

## TRANSFER AGENTS

The Chase Manhattan Bank, National Association
*1 Chase Manhattan Plaza, New York, New York 10015*

The Bank of California, National Association
*400 California Street, San Francisco, California 94120*

Continental Illinois National Bank and Trust Company of Chicago
*231 South LaSalle Street, Chicago, Illinois 60690*

Canada Permanent Trust Company
*1901 Yonge Street, Toronto 7, Ontario, Canada*

Canada Permanent Trust Company
*315 Eighth Avenue West, Calgary, Alberta, Canada*

## REGISTRARS

Bankers Trust Company
*New York, New York*

Wells Fargo Bank
*San Francisco, California*

LaSalle National Bank
*Chicago, Illinois*

Montreal Trust Company
*Toronto, Ontario, Canada*

Canada Permanent Trust Company
*Calgary, Alberta, Canada*

## AUDITORS

Arthur Young & Company
*New York, New York*

## ANNUAL MEETING

The 1970 Annual Meeting of Shareholders
will be held on Tuesday, May 19,
at 10:30 a.m. in the Hotel Commodore,
Lexington Avenue and 42nd Street,
New York City

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# Mobil Oil Corporation annual report 1969

## the year in brief

| | 1969 | 1968(a) |
|---|---|---|
| **Financial** | | |
| Revenues | $7,572,658,000 | $7,092,705,000 |
| Income before extraordinary item | $ 456,498,000 | $ 430,708,000 |
| Extraordinary item | (21,983,000) | – |
| Net income | $ 434,515,000 | $ 430,708,000 |
| Per share *(based on average shares outstanding)* | | |
| Income before extraordinary item | $ 4.50 | $ 4.26 |
| Extraordinary item | (.22) | – |
| Net income | $ 4.28 | $ 4.26 |
| Cash dividends | $ 228,197,000 | $ 207,465,000 |
| Per share | $ 2.25 | $ 2.05 |
| Shareholders' equity *(end of year)* | $4,309,070,000 | $4,094,452,000 |
| Per share *(based on shares outstanding at end of year)* | $42.45 | $40.44 |
| Capital and exploration outlays | $ 800,034,000 | $ 713,171,000 |
| Total assets *(end of year)* | $7,162,994,000 | $6,900,806,000 |
| **Operating**(b) (barrels daily, except natural gas) | | |
| Gross production of crude oil and natural gas liquids *(together with quantities received under long-term arrangements)* | 1,960,000 | 1,835,000 |
| Natural gas production *(thousands of cubic feet daily)* | 3,063,000 | 2,731,000 |
| Refinery runs of crude oil and natural gas liquids | 1,907,000 | 1,828,000 |
| Petroleum product sales | 2,003,000 | 1,874,000 |

(a) The financial data for 1968 have been restated to reflect the adoption in 1969 of accounting for the corporation's equity in the earnings of certain less-than-majority owned affiliates. This accounting change increased reported earnings in 1969 by $4.0 million and in 1968 by $2.5 million.

(b) Operating statistics include the corporation's interest in the operations of companies owned 50% or less.

*The cover of this report shows a new service station opened in the Austrian Tyrol in 1969 by Mobil Oil Austria A.G. The location is on the Brenner Autobahn between Innsbruck and the border with Italy.*

*The cover is protected with a catalyzed coating developed by Mobil Chemical's packaging coatings engineers.*

An important part of the domestic and foreign operations covered by this report is carried on by operating divisions, subsidiaries, and affiliates conducting their respective businesses under the direction and control of their own managements. For convenience, this report uses such terms as "Mobil Oil," "Mobil," "corporation," "company," "we," and "our" sometimes for the parent corporation and all such divisions, subsidiaries, and affiliates collectively, and sometimes for one or more of them.

Mobil Oil Corporation, 150 East 42nd Street, New York, N. Y. 10017

# to our shareholders

*Chairman Rawleigh Warner, Jr., at left, and President William P. Tavoulareas*

Mobil earned $456.5 million in 1969, before a $22.0 million non-recurring write-off related to the sale of certain chemical assets and withdrawal from the retail fertilizer business in the United States.

Earnings before the write-off increased 6.0% over the $430.7 million earned in 1968, rising to $4.50 per share in 1969 from $4.26 in 1968. After the write-off, net earnings in 1969 were $434.5 million, or $4.28 per share.

Mobil's net earnings have risen for 11 consecutive years and have attained record levels in each of the past seven years. Our earnings growth rate in 1969–both before and after the write-off–was the best of the five leading U.S.-based international oil companies for the second year in a row.

The rate of return on shareholders' average equity based on earnings before the write-off rose to 10.9%, compared with 10.8% in 1968. Our total assets exceeded $7.0 billion for the first time.

Revenues in 1969 totaled $7.6 billion, 6.8% higher than the 1968 total of $7.1 billion.

Cash dividends paid in 1969 came to $2.25 a share, compared with $2.05 paid in 1968. The 1969 payments included an extra dividend of 5 cents a share, paid in December. Another extra dividend of 5 cents a share will be paid on March 10, 1970.

Our earnings improvement in 1969 can be attributed mainly to greater operating volumes. Mobil companies around the world produced, transported, refined, and sold more crude oil, natural gas, and petroleum products than ever before. An important contributing factor was the heightened efficiency of our modernized refineries, principally in the United States. We benefited, too, from firmer domestic petroleum product prices most of the year.

Unfavorable factors included higher costs stemming from inflation, a continuation of depressed product prices in Western Europe and the Far East, and increased taxes in the United States and abroad. The repeal of the 7% investment tax credit in the United States began to affect us adversely in 1969. Reducing the U.S. depletion tax provision from 27½% to 22% will cost Mobil an estimated $11 million in 1970.

To continue the financial and operating progress made in 1969, we will devote major management attention to highly selective capital and exploration expenditures that offer us long-term opportunities to achieve growth and to control costs. These outlays reached a record $800 million in 1969 and are expected to increase significantly in 1970.

Since nearly half of the 1970 expenditures will consist of outlays made outside the United States, they should not contribute to inflation in this country. Moreover, much of the increase in expenditures will be the result of projects under way in 1969.

The largest single project involves the 160,000-barrel-a-day refinery we are building at Joliet, Ill. When this refinery goes on stream in 1973, we expect it will contribute significantly to earnings. We will make other large expenditures for additional exploratory drilling on the North Slope of Alaska, for development of the strong proved and prospective reserves position we have established there, and for both pipeline and marine transportation facilities to move our North Slope crude oil to the West Coast market.

In addition, we have earmarked substantial outlays for continued exploration programs elsewhere in North America and in selected foreign areas, and for development of our Nigerian discoveries.

The public here and abroad has been voicing increasing concern over the deteriorating quality of the environment. Mobil shares this concern. We are spending heavily–both in money and in technological manpower–to do our part toward solving the complex problems associated with pollution. Our air and water conservation expenditures are running at the rate of about $37 million a year. Our scientists and engineers are deeply involved.

One example of this is our participation in the Inter-Industry Emission Control program, an 11-company effort launched by Mobil and the Ford Motor Company in 1967. IIEC has made significant progress toward its goal of devising new engine-and-fuel systems that will virtually eliminate pollution from gasoline-powered vehicles. Mobil is totally committed to help reach this goal and to do so at the lowest possible cost and the least inconvenience to the consumer.

IIEC research uses a systems approach—one that deals with engine and fuel as inseparable and interacting parts of the automotive pollution problem. Since it involves engines from one industry and fuels from another, the research problem can be solved best by close cooperation between the automobile and petroleum industries.

There has been widespread public criticism of the use of tetraethyl lead to improve gasoline quality. We explained Mobil's position on lead in *A Primer on Air Pollution,* a booklet published three years ago and now in a fourth printing that will increase the copies distributed to 700,000. We wrote: "If getting the lead out (of gasoline) is going to be the most effective, economical way of beating pollution—which nobody knows yet—Mobil will get the lead out." We feel the same way today.

Nevertheless, we cannot ignore the massive practical difficulties presented by unleaded gasoline. The major construction that would be required at scores of U.S. refineries can be undertaken by only a handful of specialized engineering and construction firms. The additional equipment that would be needed by the nation's gasoline distribution and marketing network, including a substantial percentage of its 220,000 service stations, can be supplied by only a few specialized manufacturers.

Moreover, the multi-billion-dollar expenditures necessary to remove lead would aggravate inflationary pressures. Only if lead were gradually reduced in an orderly manner could the inflationary impact of this spending be minimized.

Despite the magnitude and complexity of pollution problems, we are optimistic that they can and will be solved. We believe they will be solved sooner if the public is not misled by superficially attractive but unsound "solutions," and if it understands that the cost of controlling pollution is directly or indirectly borne by everyone.

In enumerating changes in the Board of Directors during 1969, we wish to express deep appreciation for the lasting contributions to the company made by three employee-directors: Paul V. Keyser, Jr., George F. James and, most notably, Albert L. Nickerson.

Mr. Nickerson became a director in 1946 only 13 years after joining Mobil. He was elected president in 1955, chairman of the Executive Committee in 1958, and chairman of the board in 1961. In his 11 years at Mobil's helm, he set the course and provided the leadership that took the company into its strongest period of growth. We feel privileged that he agreed to remain on the board.

Mr. Keyser retired as a director, member of the Executive Committee, and an executive vice president for chemical interests after more than 39 years of service and 15 years on the board. His successor in these posts is Theodore W. Nelson, whose portfolio was broadened to include responsibility for research and engineering. Mr. Nelson had been president of Mobil Chemical Company and a vice president of the corporation.

Mr. James retired as a director, member of the Executive Committee, and a senior vice president for finance after 25 years with Mobil and Standard-Vacuum Oil Company. He has since accepted appointment as dean of the Graduate School of Business of Columbia University. He was succeeded by James Q. Riordan, formerly president of the International Division and a vice president of the corporation.

George C. McGhee and Charles E. Solomon were elected to the board. Mr. McGhee, formerly a consulting geologist, served as U.S. Ambassador to Germany and Turkey and as Under Secretary of State for Political Affairs. Mr. Solomon, who was also elected an executive vice president and a member of the Executive Committee, retains the presidency of the International Division, which he had held as a vice president of the corporation.

Charles G. Mortimer, a member of the board since 1962, will reach the retirement age for directors in July and, consequently, is not a candidate for reelection. Mr. Mortimer is chairman of the Executive Committee of General Foods Corporation. We are grateful for his contributions to the deliberations of the board.

We speak for all of Mobil's directors in thanking our employees, shareholders, and customers for the cooperation and support that kept our company moving ahead in 1969.

For the Board of Directors

Rawleigh Warner Jr.

CHAIRMAN

W. P. Tavoulareas

PRESIDENT

March 6, 1970

*On the next page: Working in moonlight at high noon during the Arctic winter, trucks on Alaska's North Slope move a drilling rig from a successful well to a new drilling site.*

# exploration and producing

In 1969, Mobil made significant discoveries of oil on the North Slope of Alaska, carried on development of previously discovered oil fields in the waters off Nigeria, and began an exploratory drilling program on full-interest acreage in Indonesia.

Worldwide gross production of crude oil and natural gas liquids, together with quantities received under long-term arrangements, increased 6.8% to average 1,960,000 barrels daily, a record level.

Natural gas production, mostly in the United States, rose 12.2% to an average of 3.1 billion cubic feet daily. In Canada and Germany, natural gas production increased appreciably, though still relatively small in volume.

In North America, gross production of crude oil and gas liquids averaged 527,000 barrels daily, virtually the same as 1968 production.

## Alaskan Discoveries

On the North Slope of Alaska, Mobil participated in eight wells drilled in 1969. Four of the wells flowed medium-gravity oil on test at individual rates ranging from 2,000 to 2,750 barrels a day from the principal producing zone of the Prudhoe Bay field. A fifth well, which flowed on test at 1,280 barrels a day, discovered another pay sand. A sixth well also found oil in the Prudhoe Bay sand, but is to be tested at a later date. Two other wells failed to encounter commercially productive zones. Our tests, made through small chokes, do not indicate the full flow capacity which the wells may achieve in actual production.

The company acquired approximately 52,000 net acres of North Slope leases in 40 of the 164 tracts sold by the state of Alaska in September. This acreage, for which we paid $68.4 million, was greater than that obtained by any other company at the sale. Nearly all of the new acreage was acquired jointly with either Phillips Petroleum Company or Standard Oil Company of California, or with both. Before the lease sale, our net interest in state lands on the North Slope was 47,507 acres. Thus the purchases in the September sale more than doubled our holdings of state lands on the North Slope, including those in the Prudhoe Bay field area.

Mobil's discoveries on the North Slope significantly increased its U.S. proved and prospective reserves of crude oil. The company is continuing to drill exploratory and development wells in the area.

In addition to the wells in which Mobil participated, various successful wells drilled by our competitors have further

Gross Production of Crude Oil and Natural Gas Liquids by Areas (thousands of barrels daily)

| | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. and Canada | 527 | 521 | 475 | 413 | 372 | 346 | 330 | 316 | 302 | 288 | 291 |
| Abu Dhabi | 42 | 38 | 30 | 30 | 23 | 15 | — | — | — | — | — |
| Indonesia | 22 | 25 | 26 | 29 | 29 | 28 | 35 | 36 | 36 | 40 | 42 |
| Iran | 217 | 189 | 173 | 141 | 127 | 116 | 101 | 91 | 82 | 73 | 65 |
| Iraq | 181 | 178 | 145 | 164 | 155 | 148 | 137 | 119 | 118 | 114 | 101 |
| Libya | 172 | 154 | 136 | 128 | 76 | 34 | 2 | — | — | — | — |
| Qatar | 24 | 23 | 23 | 23 | 23 | 22 | 23 | 22 | 21 | 21 | 20 |
| Saudi Arabia | 303 | 287 | 262 | 240 | 203 | 173 | 162 | 152 | 139 | 125 | 109 |
| Venezuela | 106 | 120 | 132 | 140 | 144 | 140 | 131 | 117 | 113 | 117 | 107 |
| West Germany | 20 | 21 | 22 | 23 | 24 | 23 | 20 | 20 | 19 | 18 | 16 |
| Other | 34 | 33 | 35 | 37 | 36 | 32 | 30 | 28 | 31 | 27 | 25 |
| Total | 1,648 | 1,589 | 1,459 | 1,368 | 1,212 | 1,077 | 971 | 901 | 861 | 823 | 776 |
| **Total** *together with quantities received under long-term arrangements* | 1,960 | 1,835 | 1,663 | 1,527 | 1,387 | 1,251 | 1,146 | 1,078 | 1,005 | 938 | 897 |

*A seismic crew studies a log at the edge of a jungle clearing in Sumatra. Drilling has begun.*

enhanced the value of Mobil's North Slope acreage position.

Offshore from Louisiana, additional development wells were drilled in the oil field discovered in 1967 in Main Pass Block 144. We have a half interest in the field, and our share of production reached 1,800 barrels daily by the end of 1969. Further gains in production are expected as additional wells are drilled.

In the Hugoton field of Oklahoma and Kansas, significant discoveries of oil underneath the gas-producing zones of the field have increased oil production to 20,000 barrels daily from 4,000 barrels daily five years ago. This permitted us to complete, two years ahead of schedule, the production payments under which this interest in the field was purchased.

In Michigan, Mobil acquired substantial acreage in the southern part of a large sedimentary basin that lies under much of the state, and we plan to drill five exploratory wells in 1970.

Mobil Oil Canada acquired varying interests in exploration rights on more than 8.5 million acres in Hudson Bay.

In the Middle East, where we have interests in five major oil-producing countries as well as a long-term purchase contract in a sixth, 1969 production–including quantities received under long-term arrangements–averaged 1,079,000 barrels daily, up 12.3% over 1968. Middle East operations were generally normal throughout the year except for a three-month interruption of shipments through the Trans-Arabian Pipeline in the summer.

## Nigerian Production

In Nigeria, production was scheduled to begin early in 1970 from one of the several fields discovered on 100%-interest acreage in waters from three to 35 miles off the coast. Two additional fields were also scheduled to go on production later in the year. Temporary offshore loading facilities will be utilized pending completion of a permanent terminal onshore.

In Indonesia, Mobil began an exploratory drilling program in late October on 100%-interest acreage acquired in 1968 in northeast Sumatra. This was on the 450,000-acre, onshore Aru block, where several wells are to be drilled by the end of 1970. We also plan to begin drilling in 1970 on the 750,000-acre "B" block, also onshore. Seismic work is continuing on both of these blocks, as well as on Mobil's offshore acreage in Indonesian waters of the Strait of Malacca.

In Libya, exploratory and development drilling continued. Mobil-interest production reached a new high and averaged 172,000 barrels daily, an increase of 11.7% over 1968. Additional exploratory wells are to be drilled in 1970.

In Germany, additions were made to reserves of natural gas in two areas where Mobil has interests, northwest Germany and Bavaria. Gas production rose from 151 to 229 million cubic feet daily, an increase of 51.7% over 1968 production.

In the North Sea off England, production of natural gas began from the East Leman unit, in which Mobil has an interest.

Offshore from Ghana, Mobil acquired exploration rights on approximately a million acres in 1969. Field seismic work has been completed, and an exploratory well is planned during 1970.

In Central America, we plan to begin seismic work in 1970 on a 2,000,000-acre block off Honduras on which we acquired exploration rights in 1969. Also, we will participate in a well to be drilled in Caribbean waters off Nicaragua and another well to be drilled in Pacific waters off Guatemala, both in 1970.

*Nigerian crude oil is handled through this new facility in our offshore concession area.*

# transportation

The world's first double-bottom supertanker, the 211,666-deadweight-ton *Mobil Pegasus,* joined the fleet in the fall of 1969. The vessel, which has a capacity of 1,646,000 barrels, carries Persian Gulf crude to northern Europe and Japan.

A similar double-bottom vessel is scheduled to go into service in 1970 and two more in 1971. Each will have a 10-foot space, serving as a ballast tank, between its bottom hull and its cargo tanks. This feature, on which Mobil holds patents, will lower maintenance costs, cut operating expenses by permitting quicker port turnaround, and reduce the risk of a spill if the vessel should run aground.

Together with six 200,000-ton tankers we have chartered, the four new ships will substantially increase the average size of vessels in the fleet. This trend to greater size is expected to cut the average cost of hauling a barrel of oil more than a fifth between 1969 and 1975.

### Combination Ships

To reduce costs by modernizing older vessels, two smaller tankers were "jumboized" into 64,000-ton combination carriers and put into service in 1969. A third such vessel, of 74,000 tons, will join the fleet in 1970. On a typical journey, one of these combination carriers moves crude oil from the Persian Gulf to the Paulsboro, N.J., refinery. The vessel then loads a cargo of phosphate rock, coal, or other non-liquid bulk cargo. After discharging this cargo at a Far East port, the vessel continues to the Persian Gulf to load another oil cargo. Minimizing the ballast time—or empty time—on this round-the-world voyage significantly lowers transportation costs.

At year-end 1969, Mobil's worldwide fleet of 108 tankers totaled 5.7 million tons. This included 34 owned vessels totaling 1.9 million tons. An additional 74 tankers under charter for a year or more aggregated 3.8 million deadweight tons.

### Pollution Agreement

The Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution (TOVALOP), which Mobil helped initiate, became effective in October, 1969, when tankers accounting for more than half of the world's privately owned tanker tonnage became participants in the plan. The agreement is designed to compensate national governments for their costs in cleaning up oil spills which affect their territory.

### Port Improvements

We have made port improvements to permit greater use of the larger vessels, with their lower transportation costs. Facilities at LeHavre and Rotterdam were upgraded to accept fully loaded vessels up to 200,000 tons, and at Coryton to accept 200,000-ton vessels with 145,000 tons of cargo on the second port of call. Moorings are being installed at Ras Lanuf, Libya, to handle 250,000-ton vessels and at Durban, South Africa, to handle 200,000-tonners. Both of these installations will be completed in 1970.

Our long-range plan in Nigeria calls for onshore terminal facilities to accommodate 200,000-ton vessels. Pending construction of the terminal, we have moored the tanker *Mobil Japan* off the Nigerian coast to serve as a floating storage vessel. Oil is pumped into the vessel through gathering lines from the offshore fields and then loaded into ocean-going tankers destined for export markets.

### Delivering Alaskan Oil

The company made two major moves to facilitate delivery of Alaskan oil in the 1970's. We acquired an 8.5% interest in the proposed 800-mile Trans Alaska Pipe Line, which will carry North Slope crude from Prudhoe Bay to the year-round port of Valdez, on the southern Alaskan coast. The 48-inch line will initially carry 500,000 barrels a day, and is designed for expansion to 2 million barrels.

Mobil also ordered a 126,000-ton U.S.-flag tanker, for 1972 delivery, to move crude from Valdez to the Torrance refinery in California.

In other pipeline developments in the United States:

☐ Olympic Pipe Line (Mobil 33%) approved a 6-mile, 12-inch spur line that will enable it to serve the Seattle-Tacoma airport.

☐ Capacity of the Wyco system (Mobil 20%), which extends from Casper, Wyo., to south of Denver, Colo., was increased by installation of 132 miles of 10-inch line.

☐ Construction of the Ventura Pipe Line system (Mobil 22%), for transportation of California offshore production, was completed in May, 1969.

☐ Wolverine Pipe Line (Mobil 21%), which runs from Chicago to Detroit and Toledo, is nearing completion of the 50,000 barrel-a-day expansion program begun in early 1969.

☐ Mobil Pipe Line Company, our U.S. common carrier affiliate, expanded its crude oil, refined products, and liquefied petroleum gas facilities to meet increased demands on its 12,000-mile network linking producing, refining, and consuming areas.

In Europe, most of the welding was completed on the Adria-Wien Pipeline (Mobil 12.5%) from Würmlach in Germany to Vienna, Austria. AWP, a 260-mile spur of the Transalpine Pipeline connecting Trieste with refineries in Germany, is expected to be in operation in the fall of 1970.

*World's first double-bottom supertanker,* Mobil Pegasus, *is maneuvered by tugs before beginning its sea trials in 1969.*

MOBIL PEGASUS
MOBIL PEGASUS

# refining

During 1969 we began construction of a 160,000-barrel-a-day refinery near Joliet, Ill. This will be the largest new refinery ever built in the United States. Within the Mobil system, only our Beaumont, Tex., refinery will exceed the Joliet capacity. The new facility, scheduled for completion in 1973, will supply products to the North Central states, a marketing area important to Mobil. The Joliet refinery will be able to process any crude oil likely to be available from various sources, including the Gulf of Mexico, Canada, and Alaska.

The Beaumont refinery achieved in 1969 the first full year of benefits from the extensive modernization program of 1967-68. This plant is undergoing further expansion, to increase crude capacity by 20,000 barrels to 335,000 barrels a day in 1970.

Several projects that will increase our capability to produce kerosine-type jet fuel were either completed in 1969 or will be in 1970. This high-value product has the fastest demand growth rate of any primary oil product.

Overseas, the capacity of the Amsterdam refinery, which went on stream in mid-1968, will be increased from 80,000 to 125,000 barrels a day. This new capacity is scheduled to be in operation by the end of 1971.

## Expansion in The Netherlands

Expansion of the marine terminal at Europoort, near Rotterdam, which is linked to the Amsterdam plant by a crude oil pipeline, is proceeding on schedule as a joint project with two other companies. The terminal's storage capacity will be increased to 6.3 million barrels, and the pier enlarged to handle two 200,000-ton tankers at a time. As a result, total throughput capacity of the installation will be doubled to 80 million barrels a year.

In Japan, the government approved increases in capacity at two refineries in which Mobil has interests. We have a 25% interest in Toa Nenryo, whose refinery at Kawasaki will be expanded from 57,000 to 147,000 barrels-a-day capacity. Mobil is entitled to 50% of the total output. The Chiba refinery, which we own equally with the Mitsui interests, will have its capacity increased from 60,000 to 100,000 barrels a day. The refinery was completed in 1968.

Mobil's capacity entitlement in the joint-interest Bataan refinery in the Philippines is increasing from 31% to 43% under an agreement with our partner. Our share will be 46,000 barrels a day when a scheduled expansion of the refinery is completed in early 1972. On November 1, 1970, our entitlement from the joint-interest refineries at Adelaide and Altona, Australia, will decrease from 74% to 65% under an agreement with our partner. The Altona refinery is being expanded from a capacity of 63,000 barrels a day for processing Persian Gulf crude oils to 84,000 barrels a day for processing almost exclusively indigenous Australian crudes.

Expansion of the wholly owned Coryton refinery in England, doubling its capacity to 130,000 barrels a day, was completed in 1969.

In southwest Germany, our wholly owned 70,000 barrels-a-day refinery at Woerth went on stream early in 1970. This entirely new refinery is designed to achieve a high efficiency in upgrading crude oil into middle distillate and gasolines. It will serve our German markets and is equipped with the necessary facilities to provide computer control for maximum operating efficiency.

The addition of 40,000 barrels-a-day of capacity to the refinery at Frontignan, on the Mediterranean coast of France, will be completed during the latter part of 1970.

## Runs Rise Overseas

Worldwide refinery runs of crude oil and natural gas liquids increased by 79,000 barrels a day to a new record of 1,907,000 barrels a day. In the United States, daily refinery runs averaged 829,000 barrels, a nominal increase. Outside the United States, refinery runs averaged 1,078,000 barrels a day, up 7.4%. These figures are for runs in both wholly and partly owned refineries and under processing agreements in facilities owned by others.

Further advances were made in the use of refining catalysts, both to increase the yield of more valuable products and to upgrade product quality. A Mobil cracking catalyst, called the Shape Selective catalyst, in use at the El Palito, Venezuela, and Frontignan refineries, produces higher octane number gasoline components.

New facilities at the Beaumont, Paulsboro, and Coryton refineries will upgrade the quality of automotive and industrial lubricants and increase output of these products more than 7%. These facilities will permit the separation of waxes from oils with new efficiency and will yield lubricant products with superior performance at low temperatures. The new lubricating oil installation at Beaumont is scheduled for completion by September, 1970; the installation at Paulsboro will be on stream in July; and the Coryton facilities are already in operation.

*Near Joliet, Ill., our portable pollution control laboratory takes background readings of air and water quality before refinery construction starts. The lab-on-wheels helps Mobil conform to air and water quality standards.*

Mobil
pollution control laboratory

*Above, swans feast on clams dredged up in the port terminal expansion near Rotterdam. Our terminal, at Europoort, is being enlarged to receive 200,000-ton tankers. Crude oil will be shipped by pipeline to our Amsterdam refinery. At right, Mobil's new refinery at Woerth, Germany, is shown as it neared completion.*

# marketing

Our worldwide petroleum product sales exceeded 2,000,000 barrels a day in 1969, for a gain of 6.9% over 1968. About 46% of the total sales was in the United States, with 54% in other countries. In 1970, industry product demand is expected to increase by approximately 3% in the U.S., and about 9% overseas.

Product prices were reasonably firm in the U.S. during 1969, but showed continuing weakness in the high-volume markets of Europe and Japan.

Mobil's worldwide gasoline sales growth continued strong in 1969, and sales of premium grade gasoline accounted for a higher proportion of our total gasoline sales than in the previous year.

A prime reason for Mobil's good gasoline marketing performance in 1969 was an aggressive service station building program, which is continuing in 1970. New stations are being built, and older ones modernized, at a pace aimed at improving Mobil's position in the global gasoline market. Expansion is concentrated in those market areas where demand is growing faster than average.

## New Stations

In the U.S. we are building many new stations along Interstate highways and are moving into such fast-growing areas as southwest Ohio and North Carolina, where we have not been widely represented. We plan to begin marketing products through service stations in Georgia and South Carolina, with the first new Mobil stations to be opened in 1972. With this expansion, Mobil service stations will be represented in the U.S. in 44 states and the District of Columbia.

The attractive new Pegasus service station design, with its emphasis on simplicity and its unique circular theme, has won excellent acceptance among zoning boards and civic groups. The Pegasus has received the top highway beautification awards of the U.S. Department of Transportation, *Holiday* magazine, and the American Association of Nurserymen–plus awards from cities in six states.

The new design is being consumer-tested overseas, with affiliates in 15 countries planning to open at least 60 Pegasus stations by the end of 1970.

Affiliates in Europe have built more than 300 self-service stations in a continuing expansion program for this highly successful type of operation. Many have coin-operated carwash equipment. Several stations also offer a "general store" variety of merchandise from automotive accessories to frozen foods.

Mobil's "Clean Engine" advertising campaign in the United States, and the "Anti-Wear" campaign overseas, both proved effective in boosting 1969 product sales. The award-winning "We Want You to Live" advertising series on highway safety is continuing in the United States during 1970.

By the end of the year more than 800 U.S. Mobil dealers had passed stringent tests qualifying them to perform tune-ups, brake repairs, or wheel alignments, and were authorized to post Certified Specialist signs at their stations. Another 1,000 dealers are expected to join this group of car-care specialists in 1970.

## Advanced Lubricants

When the Boeing 747 "jumbo jet" flew from Seattle to Paris for the 1969 air show at LeBourget field, it was lubricated with Mobil Jet Oil II. Ten airlines already have chosen this advanced lubricant for their 747s. Mobil also refueled the giant new airliner at LeBourget, which is one of about 750 airports where we are represented with aircraft fuels and lubricants.

The U.S. Air Force is now testing a new synthetic jet engine oil formulated by our scientists and manufactured by Mobil Chemical. The lubricant exceeds current Air Force specifications by a wide margin, and stays fluid at 70°F below zero.

Among the many new ships lubricated by Mobil are the passenger vessel *T/S Hamburg,* the cruise ship *M/S Linblad Explorer,* and Europe's first nuclear-powered commercial vessel, the *N/S Otto Hahn.*

Mobil is the foremost supplier of lubricants for nuclear power plants, which require radiation-resistant as well as conventional lubricants. In the U.S., where we now have commitments to lubricate more than 80% of existing or planned nuclear generating capacity, five nuclear plants were started up in 1969. All are Mobil-lubricated. In Europe, 11 existing or planned nuclear plants have chosen Mobil lubricants.

During 1969 we began marketing commercial and industrial lubricants directly in Georgia, Florida, Alabama, Mississippi, and Kentucky. Sales of industrial lubricants again attained a record high, and substantially exceeded industry growth.

## Computer Reservations

This spring, credit-card customers in the United States will be receiving information on a new computerized room-reservation service. Travelers can make confirmed reservations at any of more than 2,500 hotels and motels simply by dialing a toll-free number that connects them with a computer center.

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*Above, this service station is typical of the many attractive Pegasus-type stations being built along U.S. highways. Below, in Europe we are expanding our network of self-service stations such as this one near Birmingham, England.*

Mobil
Mobil

Mobil Motoring Centre Shirley
IN
IN

# chemical

Mobil Chemical's operations, exclusive of the domestic retail fertilizer business, increased their contribution to corporate earnings during 1969. These improvements arose primarily in plastics, petrochemicals and chemical coatings, stemming largely from greater efficiency in manufacturing and marketing.

We withdrew during the year from the retail fertilizer business in the United States because it was unprofitable to Mobil and we did not see an opportunity for improvement in the near future. The loss sustained as a result of the withdrawal is described in the Financial Review section of the report.

In phosphate mining, we reached a long-term agreement to sell a substantial quantity of our output to one major customer. This agreement, together with other domestic and international sales, will permit us to operate our Florida mine on a full-shift schedule despite industry over-capacity.

## "Hefty" Growth

Mobil Chemical's most dramatic growth in 1969 occurred in plastics packaging, where "Hefty" brand products and polystyrene foam meat trays and egg cartons met with increasing acceptance.

Several cities have endorsed the use of "Hefty" trash can liners as a replacement for garbage cans. In New York City the health code was modified to permit the use of such bags after extensive testing in which Mobil took part.

We test-marketed a new "Hefty" product, the disposable "Hefty" Scrap Bag. This product, which fits into a fold-up metal frame that stands on the kitchen counter or in the sink, is designed to get rid of food scraps without messy leakage. Results from the market tests were encouraging, and we expect to introduce the product commercially in 1970.

To meet rising demand for plastics products, three plants underwent major expansions. A new plant, at Temple, Tex., to serve the Southwest, will be built in 1970.

## Petrochemical Sales Rise

Petrochemical plants, both in the U.S. and in Italy, operated at capacity. Sales increased, and some domestic prices firmed. Substantially greater sales from the Italian aromatics facility largely offset price declines in Europe.

The most notable improvement in petrochemicals came at the terephthalic acid (TPA) unit in Beaumont, Tex., through greater operating efficiencies and production increases. Mobil's high-purity process for making TPA offers an economical route to the production of polyester fibers, which are used in a variety of products, including wash-and-wear clothing. An expansion of the TPA plant is under way, and the application of this proprietary technology to the manufacture of other products is under development.

Petrochemical employees in Beaumont maintained their extraordinary safety record, which at year-end 1969 approached 4.5 million man-hours without a disabling accident. This is one of the best safety records ever achieved by a Mobil unit, and one of the best in the chemical industry.

All segments of our chemical coatings business showed improvements except automotive coatings, where automobile manufacturers produced more of their own paints.

Chemical coatings' sales improvement stemmed largely from the performance in packaging coatings, where Mobil enjoys an especially strong position, and in overseas operations, particularly in The Netherlands.

We received approval from the U.S. Department of Agriculture to market a new product to control the corn rootworm, an increasingly serious pest to corn growers in the Midwest. This product, known as Mocap, is a non-persistent pesticide; that is, it acts quickly and leaves no residue. It is being manufactured in a new plant in Tennessee.

Our chemical business overseas, which includes part interests in companies in Europe, Australia, Japan, and Taiwan, continued to improve.

## New Products

In research and development, Mobil Chemical doubled the capacity of a semi-commercial facility for the production of a polybutylene material that could lead to lower-cost plastic piping. Also, we began semi-commercial production of two new ingredients used by other Mobil units in manufacturing high-performance lubricants.

Encouraging results were obtained on two promising herbicides: a general weed killer and a selective crop herbicide. Both will be field-tested in 1970. Neither will contribute to pollution.

Chemicals still represent Mobil's largest diversification effort. We expect our chemical operations to grow and to contribute increasingly to overall earnings growth.

*Comedian Jonathan Winters is shown making a series of television commercials for Mobil's "Hefty" plastic bags for various household uses.*

Hefty Scrap Bags
NEW!
50 plastic bags
6 in. x 6 in. x 12 in.
Hefty Scrap Bags & Holder
SAVE 12¢
25 plastic bags
6 in. x 6 in. x 12 in.
Holder opens to 6 in. x 6 in. x 6 in.
Hefty Trash Can Liners
New HEAVIER Bag!
Leakproof
6 plastic bags
20-30 gallon capacity
2ft. 6 in. x 3 ft. 1 in.
for standard trash cans
Hefty Large Waste Bags
New DECORATOR YELLOW Bags!
Leakproof
15 plastic bags
5-7 gallon capacity
22 in. x 2 ft.
for large wastebaskets
Mobil
Hefty Food Bags
Double Wall Quilted for Refrigerator and Freezer

# research

In 1969, we moved 24 new or improved products from the laboratory to the marketplace. This flow of new quality products from Mobil's scientists and engineers helps keep the company profitably competitive. As an example, more than two-thirds of our 1969 sales volume in automotive lubricants was in products developed or markedly improved by research during the past five years.

Among the new products is a family of synthetic lubricants which stay slippery and chemically stable at extreme temperatures. They can perform at 80 degrees below zero (F) and at 600 degrees above in an oxygen-free atmosphere. This broad range means that these synthesized hydrocarbon (SHC) lubricants are equally effective in such widely differing applications as Arctic pipeline valves and hot turbine engines. They can also be used to reduce friction on objects as tiny as computer bearings.

## On the Market

Other new products reaching the market in 1969 included:

☐ New marine diesel oils, part of a series that have helped us become the world's leading supplier of lubricants to ocean-going ships larger than 1,000 tons.

☐ A wax emulsion to prevent insects and fungi from damaging newly felled logs in the tropics.

☐ A new additive designed to improve the safety of loading and pumping some fuels by reducing static electricity.

☐ Better steam turbine oils, new low temperature hydraulic oils, and new gear oils for the industrial market.

We signed a second two-year contract with the National Aeronautics and Space Administration to conduct research on "microfog" lubrication. Microfog is a technique to lubricate the bearings of future jet engines with a fog of oil.

## Clean Air Cars

A fleet of prototype "clean air" cars has logged more than half a million miles to test new engine/fuel systems designed to virtually eliminate air pollution from gasoline-powered internal combustion engines. The tests of engine devices, catalysts, and fuels (both leaded and unleaded) form part of the research conducted under the Inter-Industry Emission Control program, begun by Mobil and the Ford Motor Company in 1967 and since joined by nine other companies. The program has made significant progress in reducing two of the three major pollutants, hydrocarbons and carbon monoxide. The third major pollutant, nitrogen oxide, has been controlled in experimental cars and the development of a commercially feasible method is expected.

By the end of the year, half of IIEC's research projects had been completed, and more than 600 catalysts to control hydrocarbons or nitrogen oxide tested. The program, which will continue through 1970, will now seek the right combination of systems to provide the most economical consumer service.

Scientists and engineers are devising new methods to enable us to find and produce oil and natural gas more economically:

☐ Computers that convert geophysical data to graphic displays can show geophysicists a better picture of the earth's subsurface. These "graphics" can help management decide how much to bid on leases, whether to drill on a particular site, or when to gather more data before making a decision. Graphics can also improve analysis of a well's potential, thereby enhancing ultimate recovery.

☐ New supersensitive devices for measuring electric and magnetic variations in the earth's subsurface are used for research in "magneto-tellurics." This is a method of prospecting that maps magnetic and electric field variations. These may reveal possible oil or gas basins hidden beneath volcanic flows, a feat that is difficult and expensive to perform by other methods.

☐ Scientists have devised analytical methods to help plan drilling when information is fed to a computer. The values specified by the computer enable us to hold down drilling costs.

☐ Oil and gas is being brought to the surface more economically by simulating the performance of reservoirs. Computerized models help engineers plan the best design and method of producing the oil and gas.

## Moon Science

In 1969, Mobil was singled out as the only oil company to analyze parts of the moon rocks brought to earth by the astronauts. Our scientists used a Mobil-developed technique called "luminescence petrography," normally used to examine rocks when searching for oil. They bombarded thin slices of the moon with electrons, making them glow and revealing details that have contributed significantly to understanding of the moon's origin, history, and composition.

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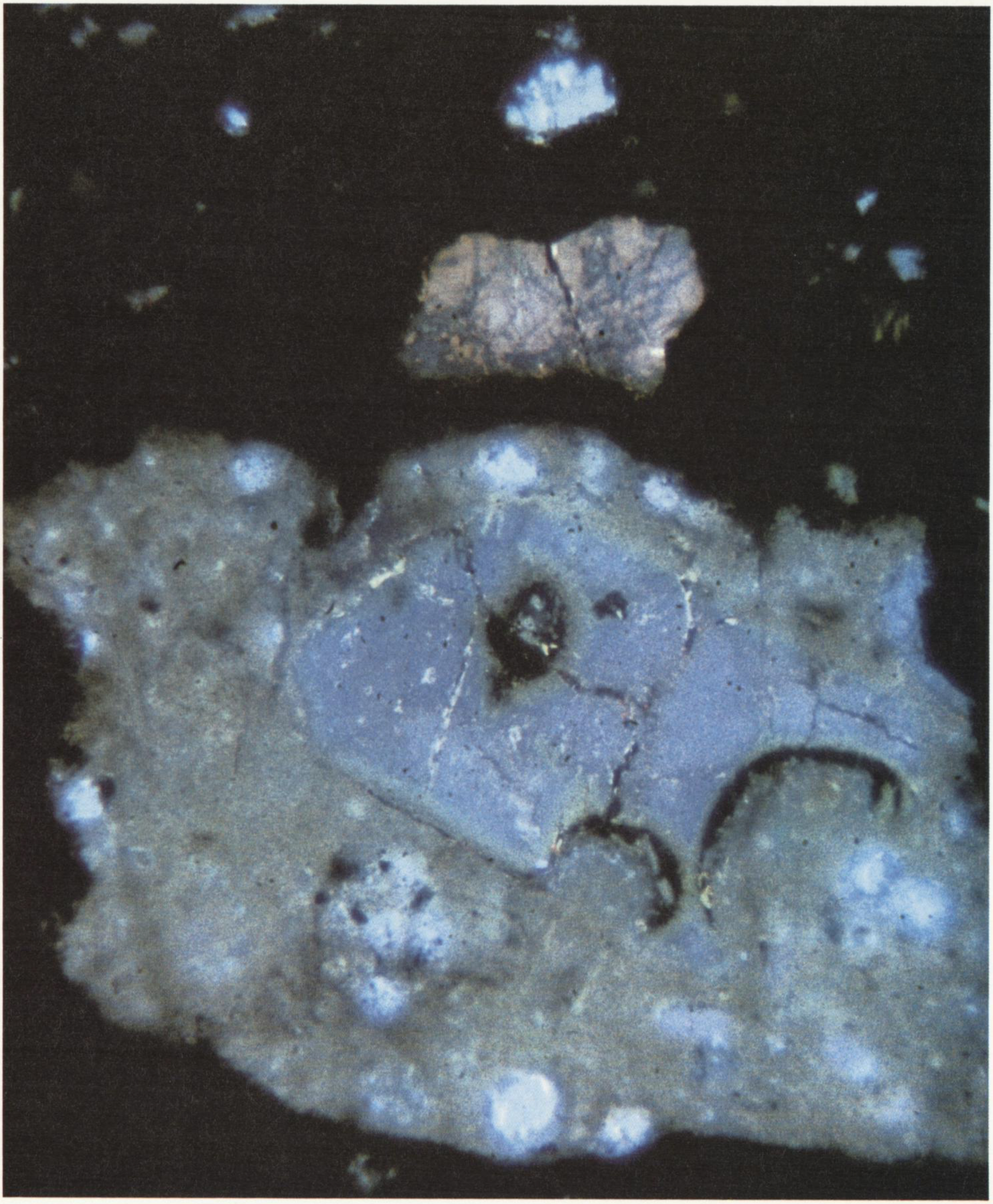
*When our scientists analyzed thin slices of moon rocks, they discovered that specimens 4.6 billion years old showed evidence of shock from the impact of meteorites. This photo of what they saw may, according to some theories, represent the origin of our solar system that many years ago. Their studies were commissioned by the National Aeronautics and Space Administration.*



# people

Mobil is responsibly involved in the lives of people in more than 100 countries.

For employees, our goal is to help each reach his or her maximum potential—for the mutual benefit of employees, shareholders, and customers.

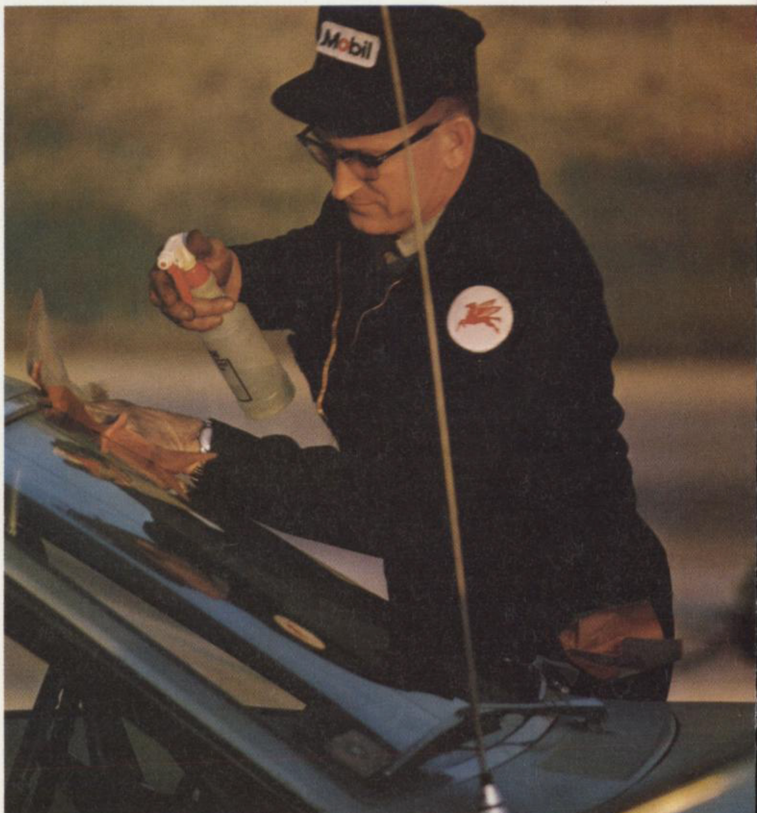
For the corporation, our goal is to recruit and develop career men and women whose qualities will enable us to grow and prosper. The predominantly technological nature of our business requires us to seek out people with highly developed individual skills in a wide variety of roles.

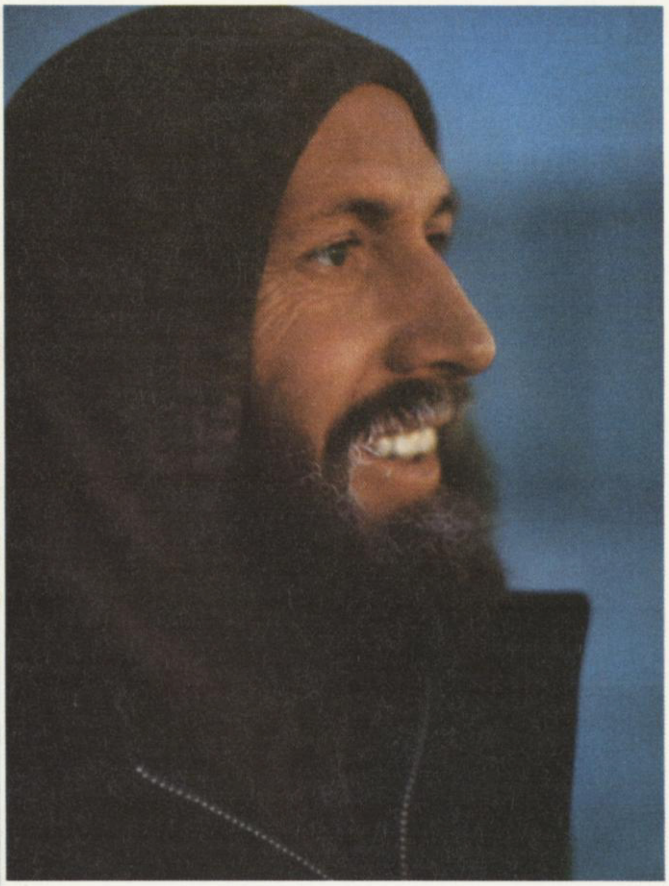
Our policy is to employ without regard to national origin, race, religion, sex, or age. This commitment to a nondiscriminatory policy is backed by support of programs to create new opportunities for both skilled and unskilled members of minority groups. Where people are not fully qualified, but have potential, Mobil supports job training programs.

We are responsibly involved in the lives of people in many ways other than employment. These include strenuous efforts to reduce air and water pollution, for which we spent about $37 million in 1969.

Educational institutions and agencies receive financial support in the United States through the Mobil Foundation, and abroad from Mobil affiliates. In 1969, we sponsored a motion picture starring Marcel Marceau. The film, "A Fable," contains no dialogue, but its message of international goodwill won several awards, including "the best film contributing to world peace."

Our actions and policies reflect a trend increasingly evident in private industry toward a deepening involvement in the world's social and economic problems.





*Mobil people deliver the goods—at a lubricant blending plant in Japan, on a North Slope drilling rig in Alaska, at a service station near Dallas, and in a refinery in Germany.*

*Above, Mobil sponsors "Sound Search," a summer-long competition that uncovered hundreds of talented young amateur musicians in New York City neighborhoods.*

# financial and operating data*

| | 1969 | 1968 (b) | 1967 | 1966 | 1965 | 1964 |
|---|---|---|---|---|---|---|
| **Financial** (in thousands of dollars except per-share data) | | | | | | |
| Revenues | 7,572,658 | 7,092,705 | 6,473,084 | 5,886,515 | 5,517,426 | 5,078,641 |
| Net income (a) | 456,498 (a) | 430,708 | 385,393 | 356,112 | 320,116 | 294,160 |
| Per share *(based on average shares outstanding)* (a) | 4.50 (a) | 4.26 | 3.80 | 3.51 | 3.15 | 2.89 |
| Cash dividends | 228,197 | 207,465 | 187,423 | 167,346 | 154,853 | 141,104 |
| Per share | 2.25 | 2.05 | 1.85 | 1.65 | 1.52½ | 1.40 |
| Capital and exploration outlays | 800,034 | 713,171 | 678,524 | 682,214 | 557,345 | 460,207 |
| Current assets | 2,789,869 | 2,829,221 | 2,399,024 | 2,084,271 | 2,037,721 | 1,908,827 |
| Current liabilities | 1,730,459 | 1,686,107 | 1,503,071 | 1,257,464 | 1,115,566 | 967,658 |
| Working capital | 1,059,410 | 1,143,114 | 895,953 | 826,807 | 922,155 | 941,169 |
| Net properties, plants, and equipment | 3,633,956 | 3,389,093 | 3,196,739 | 2,974,797 | 2,724,903 | 2,554,432 |
| Long-term debt | 738,267 | 748,447 | 527,723 | 421,917 | 448,408 | 419,140 |
| Shareholders' equity | 4,309,070 | 4,094,452 | 3,848,859 | 3,660,984 | 3,483,510 | 3,324,729 |
| Per share *(based on shares outstanding at end of year)* | 42.45 | 40.44 | 38.05 | 36.12 | 34.30 | 32.71 |

(a) Excludes an extraordinary write-off in 1969 of $22.0 million (net of applicable income tax reduction), or 22 cents per share, related to the corporation's withdrawal from the retail fertilizer business in the United States.

(b) The financial data for 1968 have been restated to reflect the adoption in 1969 of accounting for the corporation's equity in the earnings of certain less-than-majority owned affiliates. This accounting change increased reported earnings in 1969 by $4.0 million and in 1968 by $2.5 million.

| | 1969 | 1968 (b) | 1967 | 1966 | 1965 | 1964 |
|---|---|---|---|---|---|---|
| **Shareholders and Employees** (end of year) | | | | | | |
| Number of shareholders | 219,700 | 218,600 | 213,500 | 210,300 | 206,900 | 211,000 |
| Number of shares outstanding | 101,498,000 | 101,258,000 | 101,157,000 | 101,358,000 | 101,548,000 | 101,649,000 |
| Number of employees | 76,000 | 78,300 | 79,800 | 80,900 | 80,600 | 80,000 |
| **Operating** (barrels daily, except natural gas) | | | | | | |
| Gross production—crude and gas liquids | 1,648,000 | 1,589,000 | 1,459,000 | 1,368,000 | 1,212,000 | 1,077,000 |
| U.S. and Canada | 527,000 | 521,000 | 475,000 | 413,000 | 372,000 | 346,000 |
| All other countries | 1,121,000 | 1,068,000 | 984,000 | 955,000 | 840,000 | 731,000 |
| Gross production—crude and gas liquids *(together with quantities received under long-term arrangements)* | 1,960,000 | 1,835,000 | 1,663,000 | 1,527,000 | 1,387,000 | 1,251,000 |
| Natural gas production *(thousands of cubic feet daily)* | 3,063,000 | 2,731,000 | 2,382,000 | 2,181,000 | 1,993,000 | 1,924,000 |
| Refinery runs—crude and gas liquids | 1,907,000 | 1,828,000 | 1,677,000 | 1,581,000 | 1,467,000 | 1,384,000 |
| United States | 829,000 | 824,000 | 752,000 | 737,000 | 710,000 | 708,000 |
| All other countries | 1,078,000 | 1,004,000 | 925,000 | 844,000 | 757,000 | 676,000 |
| Petroleum product sales | 2,003,000 | 1,874,000 | 1,721,000 | 1,579,000 | 1,503,000 | 1,404,000 |
| U.S. and Canada | 913,000 | 883,000 | 818,000 | 771,000 | 760,000 | 731,000 |
| All other countries | 1,090,000 | 991,000 | 903,000 | 808,000 | 743,000 | 673,000 |

Operating statistics include the corporation's interest in the operations of companies owned 50% or less.

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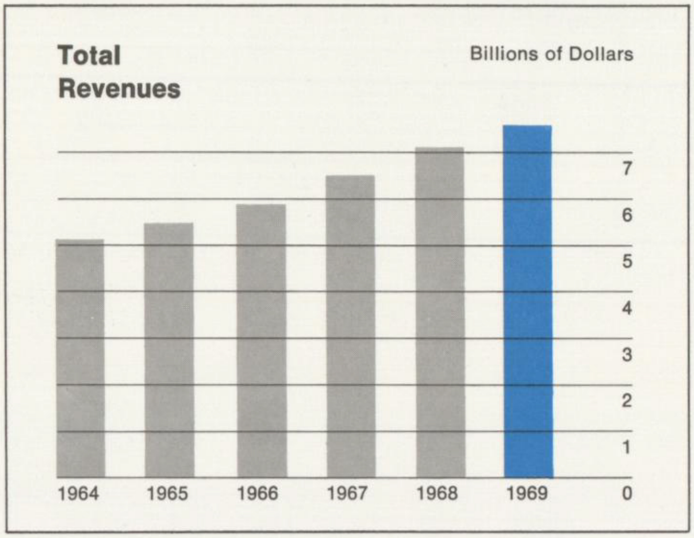
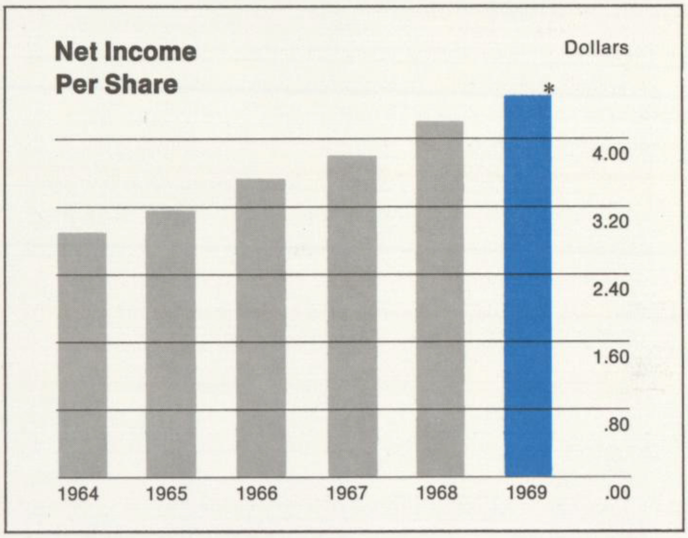
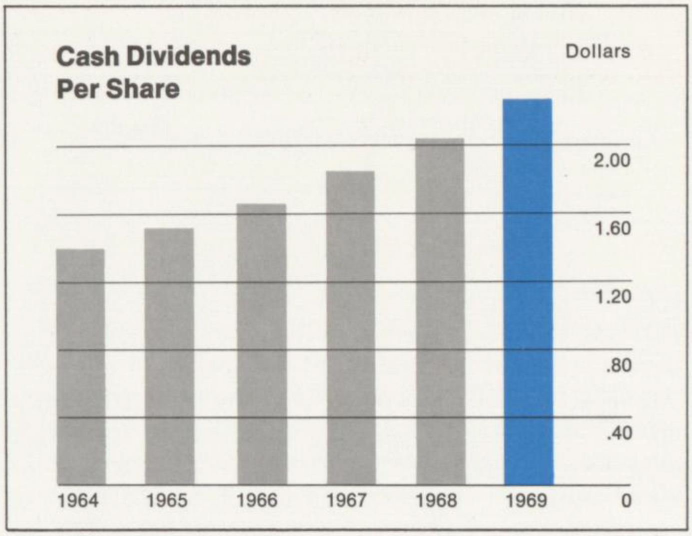
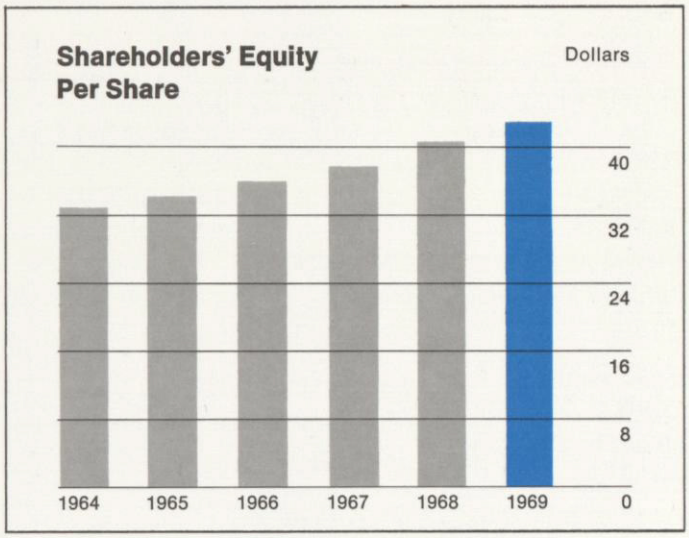
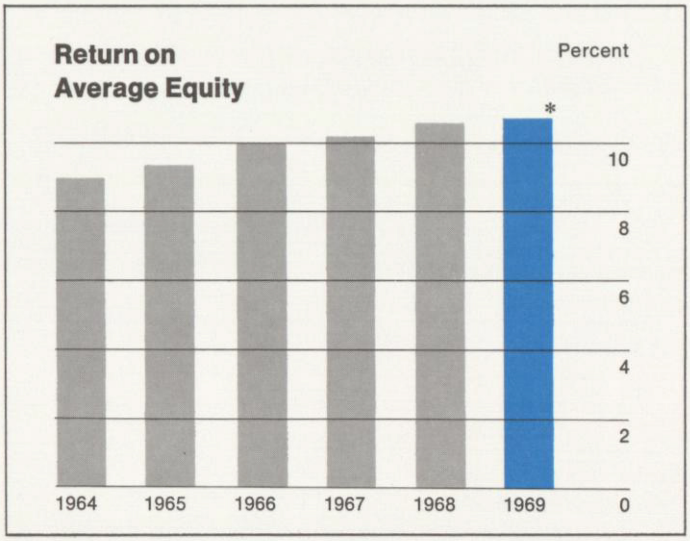
***Detailed data on the corporation, and a statement of its major accounting policies, are contained in a separate report, Financial and Operating Statistics 1969. Copies may be obtained by writing the Secretary, Room 2500, Mobil Oil Corporation, 150 East 42nd Street, New York, N.Y. 10017.**

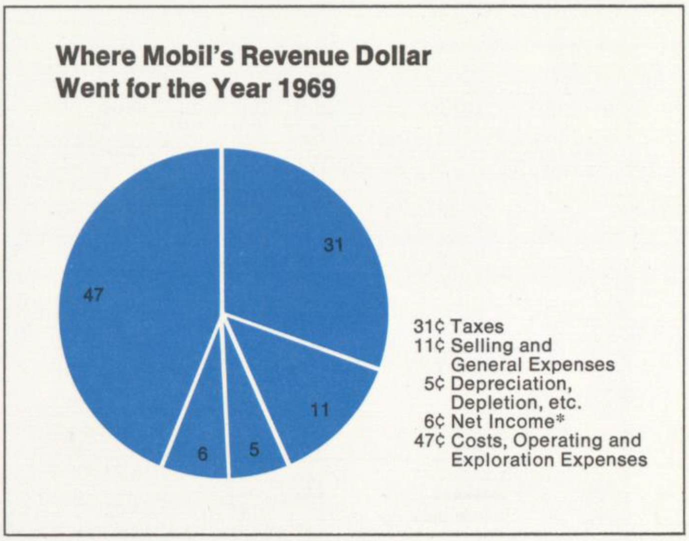

Total Revenues


Net Income Per Share


Cash Dividends Per Share


Shareholders' Equity Per Share


Return on Average Equity


Where Mobil's Revenue Dollar Went for the Year 1969

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*Excludes an extraordinary write-off of $22.0 million (net of applicable income tax reduction), or 22 cents per share, related to the corporation's withdrawal from the retail fertilizer business in the United States.

# financial review

## Earnings and Dividends

Mobil's consolidated income in 1969, before the extraordinary item described below, reached a record of $456.5 million ($4.50 per share), an increase of 6.0% over the previous high of $430.7 million ($4.26 per share) earned in 1968. For purposes of comparison, net income for 1968 has been restated to reflect a change in accounting practice, described in Investments and Long-Term Receivables, which was adopted in 1969. This accounting change increased net income in 1969 by $4.0 million and in 1968 by $2.5 million.

Net income in 1969 includes an extraordinary write-off of $22.0 million (net of applicable income tax reduction), or 22 cents per share, related to our withdrawal from the domestic retail fertilizer business. A part of the extraordinary loss resulted from the sale of the major portion of the corporation's retail fertilizer assets and business to Swift & Company in November; the remainder stemmed from certain abandonments and other extraordinary costs associated with the withdrawal. Net income after this charge was $434.5 million, or $4.28 per share.

Shareholders received record cash dividends in 1969 of $228.2 million, an increase of $20.7 million over 1968. On a per-share basis, dividend payments rose from $2.05 in 1968 to $2.25 in 1969. This latter amount represents a dividend of 55 cents per share paid in each quarter of the year plus an extra dividend of 5 cents per share paid in the last quarter.

## Investments and Long-Term Receivables

Mobil adopted in 1969 the practice of including in net income its equity in the earnings or losses for the year of certain companies owned 50% or less. Previously, only dividends from these companies had been included in earnings. This new practice is limited to companies in which Mobil has a substantial investment and which are directly involved in petroleum or chemical activities.

In addition to the effect on net income described under Earnings and Dividends, the total investment in these affiliates and earnings retained in the business now include Mobil's equity in the undistributed earnings since acquisition of these affiliates, after appropriate adjustments. As a result, earnings retained in the business at the beginning of the years 1968 and 1969 are more than the amounts previously reported by $20.2 million and $22.7 million, respectively.

Mobil's investments in other less-than-majority owned companies continue to be stated at cost less applicable reserves, which is less than its equity in the net assets of such companies. Dividend income from these companies during 1969 amounted to $16 million, approximately equal to the corporation's equity in the earnings of these companies for the year.

## Shareholders' Equity

Shareholders' equity rose from $40.44 per share in 1968 to $42.45 in 1969, an increase of $2.01 per share. The rate of return on average shareholders' equity was 10.9% (before the extraordinary item), compared with 10.8% in 1968.

## Taxes

Taxes in the United States and abroad amounted to $2,341 million in 1969, an increase of $215 million over the 1968 total of $2,126 million.

| | 1969 | 1968 |
|---|---|---|
| | (In millions) | |
| Excise and state gasoline taxes | $ 765 | $ 708 |
| Import duties | 1,125 | 1,011 |
| Property, production, payroll, and other taxes | 154 | 142 |
| Income taxes—United States and other countries: | | |
| Current | 294 | 246 |
| Deferred—arising principally from differences between tax and book depreciation | 24 | 19 |
| | 2,362 | 2,126 |
| Applicable to Extraordinary Item: | | |
| Current | (7) | – |
| Deferred | (14) | – |
| | $2,341 | $2,126 |

## Inventories

Inventories are valued at cost, which was lower than their aggregate market value at December 31, 1969. Substantially all domestic inventories of crude oil and petroleum products—representing about 37% of the worldwide total of all inventories at December 31, 1969—are valued under the last-in, first-out method. All other inventories are valued at average cost.

## Capital and Exploration Outlays

The 1969 capital and exploration programs resulted in a record outlay of $800 million, an increase of $87 million over the $713 million expended in 1968.

| | 1969 | | | 1968 |
|---|---|---|---|---|
| | U.S. and Canada | Other Countries | Total | Total |
| | | (In millions) | | |
| **Capital expenditures** | | | | |
| Producing | $228 | $ 68 | $296 | $282 |
| Refining | 26 | 92 | 118 | 96 |
| Chemicals | 27 | 1 | 28 | 25 |
| Marketing | 104 | 83 | 187 | 174 |
| Marine | 5 | 28 | 33 | 11 |
| Other | 18 | 3 | 21 | 15 |
| | 408 | 275 | 683 | 603 |
| **Exploration expenses** including non-productive wells | 75 | 42 | 117 | 110 |
| | $483 | $317 | $800 | $713 |

### Depreciation, Depletion, and Amortization

Annual charges to income for depreciation are computed generally on a straight-line basis over the useful lives of the various classes of properties, or where appropriate, on the unit-of-production basis.

Depletion of the cost of producing properties and amortization of capitalized intangible drilling costs are calculated on the unit-of-production basis.

Capitalized acquisition costs of unproven mineral rights (leases) are amortized on a straight-line basis by charges against income over the full term, or an appropriate shorter period. When a mineral right is surrendered, any unamortized cost is charged against income. When a property is proven productive, the unamortized cost of the mineral right is then depleted on a unit-of-production basis.

### Long-Term Debt

At December 31, 1969, long-term debt amounted to $738 million, a decrease of $10 million from the $748 million payable at year-end 1968. Long-term debt consisted of the following:

| | 1969 | 1968 |
|---|---|---|
| | (In millions) | |
| Thirty year 4¼% debentures due 1993 (less in treasury) | $170 | $184 |
| Thirty year 2½% debentures due 1976 (less in treasury) | 57 | 57 |
| Other debentures 4¾% to 7% due 1980-1986 | 100 | 85 |
| Term notes 4⅛% due 1979-1988 | 60 | 60 |
| Notes payable to banks | | |
| 5¾% due 1971-1972 | 67 | 100 |
| Various, due 1971-1975, weighted average interest rate 7% | 186 | 178 |
| Other | | |
| 5% to 8⅛% due 1971-1983 | 98 | 84 |
| | $738 | $748 |

### Reserves

At December 31, reserves for insurance, employee benefits, and contingencies affecting foreign operations were as follows:

| | 1969 | 1968 |
|---|---|---|
| | (In millions) | |
| Insurance | $ 44 | $ 44 |
| Employee benefit plans | 97 | 95 |
| Contingencies affecting foreign operations | 19 | 19 |
| | $160 | $158 |

The corporation's policy is to fund benefit plan costs currently, except for certain self-administered plans for which estimated costs are accrued currently in the reserve for employee benefit plans.

In the United States, Mobil's employee benefit program provides pensions, group life insurance, and savings plans, as well as several supplementary benefit plans covering such contingencies as sickness and accidents. Affiliates outside the United States also provide for various pension and other benefit programs. Pension programs cover substantially all employees of the corporation.

The total cost in 1969 of all employee benefit programs was $68 million, of which pension costs represented approximately 50%.

### Incentive Compensation Plan

The corporation's Incentive Compensation Plan was approved by shareholders in May, 1966. A provision of $5.8 million was made against 1969 earnings for awards granted in early 1970. This amount was substantially less than the plan permits.

### Stock Option Plans

Under the Stock Option Plan approved by shareholders in 1969, options may be granted to key employees to purchase a maximum of 1,000,000 shares of capital stock. No additional options may be granted under the 1960 plan, which terminated in 1965, or under the 1965 plan, which terminated at the time the 1969 plan was adopted. Options are granted at 100% of the fair market value of Mobil stock at the time of the award and generally may be exercised in annual installments after the first year. "Restricted" options, granted prior to January 1, 1964, have a life of 10 years; "qualified" options, granted after that date, have a life of five years.

Transactions in 1969 under the three plans are summarized below:

| | 1969 Plan | 1965 Plan | 1960 Plan |
|---|---|---|---|
| January 1, 1969— shares under option | — | 455,930 | 357,085 |
| Options granted at $55.50 | 401,420 | — | — |
| Options surrendered or cancelled | (1,000) | (11,975) | (16,484) |
| Options exercised at prices ranging from $18.1875 to $45.50 | — | (54,835) | (182,591) |
| December 31, 1969— shares under option | 400,420 | 389,120 | 158,010 |
| Options exercisable at December 31, 1969 | — | 217,970 | 93,736 |
| at an average price of | — | $45.02 | $30.10 |

At December 31, 1969, there were 599,580 shares available for option under the 1969 plan.

### Commitments and Contingent Liabilities

At December 31, 1969, minimum annual rentals of about $80 million were payable on noncancellable leases expiring more than three years from that date, covering such properties as tankers, service stations, and office buildings. Annual rental revenue from all such properties subleased to others is estimated to be $22 million. Substantial commitments were also made in the normal course of business for the acquisition or construction of properties, plants, and equipment (including tankers for time-charter to Mobil).

The corporation has guaranteed approximately $65 million of the obligations of others, excluding certain cross-guarantees (about $33 million) of foreign customs duties made with other responsible companies in the ordinary course of business. In addition, the corporation has guaranteed specified revenues from crude and products shipments under agreements with pipeline companies in which it holds stock interests. If these companies are unable to meet certain obligations, Mobil may be required to advance funds against future transportation charges. No material loss is anticipated under these guarantees.

The corporation's general counsel is of the opinion that, while the corporation's ultimate liability in respect of litigation and other claims pending against the corporation cannot be determined at this time, such liability, to the extent not provided for through insurance or otherwise, is not likely to be of material importance in relation to the corporation's accounts.

### Capital Stock

At December 31, 1969, a total of 102,690,269 shares of $7.50 par value had been issued, including 1,191,960 shares held in the treasury. Shares outstanding at year end totalled 101,498,309, an increase of 240,684 during 1969. This change resulted from additional shares issued under the stock option plans and from the utilization of shares held in the treasury for awards granted under the Incentive Compensation Plan.

### Capital Surplus

Changes in capital surplus were as follows:

| | 1969 | 1968 |
|---|---|---|
| | (In millions) | |
| January 1 | $641 | $638 |
| Excess of proceeds over par value of shares issued under the Stock Option Plans | 7 | 3 |
| December 31 | $648 | $641 |

### General

Accounts of all domestic and foreign subsidiaries more than 50%-owned are included in the consolidated financial statements. Items recorded in foreign currencies are expressed in U.S. dollars at appropriate rates of exchange.

A geographical distribution of income and shareholders' equity is presented on page 32.

## report of certified public accountants

Board of Directors and Shareholders
Mobil Oil Corporation

We have examined the accompanying consolidated balance sheet of Mobil Oil Corporation at December 31, 1969 and the related consolidated statements of income and earnings retained in the business and the consolidated statement of source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Mobil Oil Corporation at December 31, 1969 and the consolidated results of operations and the source and use of consolidated funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, as restated.

Arthur Young & Company

277 Park Avenue
New York, N.Y. 10017
March 2, 1970

# financial statements

## consolidated statement of income

Mobil Oil Corporation

| year ended December 31 | 1969 | 1968 |
|---|---|---|
| **Revenues** | | |
| Sales and services (including excise and state gasoline taxes: 1969–$764,514,000; 1968–$707,898,000) | $7,385,907,000 | $6,928,894,000 |
| Dividends, interest, and other revenue | 186,751,000 | 163,811,000 |
| | 7,572,658,000 | 7,092,705,000 |
| **Costs and Expenses** | | |
| Crude oil, products, materials, and operating expenses | 3,382,220,000 | 3,218,887,000 |
| Exploration expenses, including non-productive wells | 116,563,000 | 110,574,000 |
| Selling and general expenses | 834,307,000 | 778,284,000 |
| Depreciation, depletion, and amortization | 355,764,000 | 365,273,000 |
| Interest and debt discount expense | 65,259,000 | 63,327,000 |
| Taxes | 2,362,047,000 | 2,125,652,000 |
| | 7,116,160,000 | 6,661,997,000 |
| **Income before Extraordinary Item** | 456,498,000 | 430,708,000 |
| **Extraordinary Item** | | |
| Write-off related to sale of fertilizer assets and withdrawal from retail fertilizer business in the United States, less applicable income tax reduction of $21,200,000 | (21,983,000) | – |
| **Net Income** | $ 434,515,000 | $ 430,708,000 |
| **Per Share** | | |
| Income before extraordinary item | $4.50 | $4.26 |
| Extraordinary item | (.22) | – |
| Net income | $4.28 | $4.26 |

## consolidated statement of earnings retained in the business

| year ended December 31 | 1969 | 1968 |
|---|---|---|
| **Earnings Retained in the Business—Beginning of Year** | $2,733,257,000 | $2,510,014,000 |
| Net income | 434,515,000 | 430,708,000 |
| Cash dividends paid | (228,197,000) | (207,465,000) |
| **Earnings Retained in the Business—End of Year** | $2,939,575,000 | $2,733,257,000 |

See Financial Review on pages 26-28.

## consolidated balance sheet at december 31

| **Assets** | 1969 | 1968 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 144,574,000 | $ 206,914,000 |
| Marketable securities, at amortized cost (approximating market) | 583,333,000 | 651,968,000 |
| Accounts and notes receivable (less estimated doubtful accounts) | 1,363,825,000 | 1,264,245,000 |
| Inventories: | | |
| Crude oil and products | 621,491,000 | 637,777,000 |
| Materials and supplies | 76,646,000 | 68,317,000 |
| **Total Current Assets** | 2,789,869,000 | 2,829,221,000 |
| **Investments and Long-Term Receivables** | 603,260,000 | 562,169,000 |
| **Properties, Plants, and Equipment** (at cost) | | |
| Producing | 2,849,011,000 | 2,646,957,000 |
| Refining | 1,554,314,000 | 1,465,069,000 |
| Chemicals | 398,276,000 | 431,875,000 |
| Marketing | 1,646,569,000 | 1,508,389,000 |
| Marine | 315,376,000 | 300,889,000 |
| Pipelines | 298,759,000 | 287,488,000 |
| Other | 110,347,000 | 102,271,000 |
| | 7,172,652,000 | 6,742,938,000 |
| Less accumulated depreciation, depletion, and amortization | 3,538,696,000 | 3,353,845,000 |
| **Net Properties, Plants, and Equipment** | 3,633,956,000 | 3,389,093,000 |
| **Prepaid and Deferred Charges** | 135,909,000 | 120,323,000 |
| **Total** | $7,162,994,000 | $6,900,806,000 |

See Financial Review on pages 26-28.

Mobil Oil Corporation

| **Liabilities and Shareholders' Equity** | 1969 | 1968 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts and notes payable and accrued liabilities | $1,154,800,000 | $1,205,987,000 |
| Income, excise, state gasoline, and other taxes payable | 522,506,000 | 467,443,000 |
| Long-term debt maturing within one year | 53,153,000 | 12,677,000 |
| **Total Current Liabilities** | 1,730,459,000 | 1,686,107,000 |
| **Long-Term Debt** | 738,267,000 | 748,447,000 |
| **Deferred Credits** | | |
| Deferred income taxes | 163,102,000 | 153,685,000 |
| Other | 41,870,000 | 44,753,000 |
| **Total Deferred Credits** | 204,972,000 | 198,438,000 |
| **Reserves** | | |
| For insurance, employee benefits, and contingencies affecting foreign operations | 160,207,000 | 157,570,000 |
| **Minority Interest in Subsidiary Companies** | 20,019,000 | 15,792,000 |
| **Shareholders' Equity** | | |
| Capital stock | 770,177,000 | 768,396,000 |
| Capital surplus | 647,844,000 | 641,362,000 |
| Earnings retained in the business | 2,939,575,000 | 2,733,257,000 |
| | 4,357,596,000 | 4,143,015,000 |
| Less capital stock held in treasury (at cost) | (48,526,000) | (48,563,000) |
| **Total Shareholders' Equity** | 4,309,070,000 | 4,094,452,000 |
| **Total** | $7,162,994,000 | $6,900,806,000 |

See Financial Review on pages 26-28.

## consolidated statement of source and use of funds

Mobil Oil Corporation

| year ended December 31 | 1969 | 1968 |
|---|---|---|
| **Funds Were Made Available From** | | |
| Net income | $ 434,515,000* | $430,708,000 |
| Depreciation, depletion, and amortization | 355,764,000 | 365,273,000 |
| Deferred income taxes | 9,417,000 | 18,608,000 |
| Sales of properties, plants, and equipment | 53,625,000 | 28,448,000 |
| Long-term debt increases | 61,421,000 | 253,359,000 |
| Working capital decrease | 83,704,000 | (252,504,000) |
| Net reduction in treasury stock | 37,000 | (2,106,000) |
| Other, net | 16,095,000 | 25,733,000 |
| **Total** | $1,014,578,000 | $867,519,000 |
| **Funds Were Used For** | | |
| Capital expenditures | $ 683,471,000 | $602,597,000 |
| Investments and long-term receivables | 31,309,000 | 24,822,000 |
| Long-term debt reductions | 71,601,000 | 32,635,000 |
| Cash dividends | 228,197,000 | 207,465,000 |
| **Total** | $1,014,578,000 | $867,519,000 |

*Income before extraordinary item for 1969 amounted to $456,498,000.

## geographical distribution of income and shareholders' equity

| | 1969 | | 1968 | |
|---|---|---|---|---|
| | Total | Per Share | Total | Per Share |
| **Net Income** (year ended December 31) | | | | |
| United States | $ 257,839,000 | $ 2.54 | $ 237,884,000 | $ 2.35 |
| Other Western Hemisphere | 23,145,000 | .23 | 19,722,000 | .20 |
| | 280,984,000 | 2.77 | 257,606,000 | 2.55 |
| Eastern Hemisphere | 175,514,000 | 1.73 | 173,102,000 | 1.71 |
| Income before extraordinary item | 456,498,000 | 4.50 | 430,708,000 | 4.26 |
| Extraordinary item (United States) | (21,983,000) | (.22) | — | — |
| **Total** | $ 434,515,000 | $ 4.28 | $ 430,708,000 | $ 4.26 |
| **Shareholders' Equity** (end of year) | | | | |
| United States | $2,395,244,000 | $23.60 | $2,366,622,000 | $23.37 |
| Other Western Hemisphere | 328,340,000 | 3.23 | 304,183,000 | 3.01 |
| | 2,723,584,000 | 26.83 | 2,670,805,000 | 26.38 |
| Eastern Hemisphere | 1,585,486,000 | 15.62 | 1,423,647,000 | 14.06 |
| **Total** | $4,309,070,000 | $42.45 | $4,094,452,000 | $40.44 |

See Financial Review on pages 26-28.

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*First group of 20-story Mei Foo Sun Chuen apartments towers over Hong Kong harbor. Mobil and its partner companies will ultimately provide homes for some 80,000 people in these condominiums.*

Mobil Oil Corporation
150 East 42nd Street
New York, N.Y. 10017

Mobil technicians test exhaust of an experimental car, one of a fleet accumulating data for the Inter-Industry Emission Control program. Mobil helped start the IIEC three years ago. Its goal is a virtually pollution-free car using gasoline in an internal combustion engine.